

WILLKIE FARR & GALLAGHER

Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20036-3384
Tel: 202 328 8000
Fax: 202 887 8979

PUBLIC DOCUMENT

January 15, 2002

Andrew Stephens
Director of Steel Trade Policy
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Re: Request for Exclusion: SAE 1095 Cold-Rolled Steel and Strip (X-057)

Dear Mr. Stephens:

On November 13, 2001, Cold Metal Products Inc. ("CMP") submitted an exclusion request for SAE 1095 cold-rolled steel (X-057), which is defined as:

Cold-rolled steel sheet and strip; specification SAE 1095; surface finish: Brite No. 2; Rockwell hardness: RC 21- RC 30; decarburization: 0.0005" maximum; thickness tolerance:

<u>Thickness</u>	<u>Gauge Tolerance</u>
0.0235"	+/- 0.0005"
0.017"	+/- 0.0005"
0.035"	+/- 0.001"

CMP is a U.S. producer of cold-rolled steel products that are subject to this investigation. They are known in the industry as a re-roller, which buys hot-rolled steel to cold reduce into cold-rolled steel. CMP processes about 200,000 tons of steel each year, employing about 600 workers in plants located in Youngstown and Ottawa, Ohio, and in Indianapolis, Indiana.

Approximately 98 percent of CMP's business involves buying *domestic* hot-rolled steel as feedstock for cold-rolled production. The remaining 2 percent of CMP's business – or \$1.3 million in revenue – is dependent on imports of SAE 1095 cold-rolled steel, which is a very expensive high carbon cold-rolled steel that is not produced in the United States. CMP processes this cold-rolled product for Stanley Tools, one of the largest tool makers in the United States. CMP slits the coils to narrow widths, welding the strips end-to-end to create thousands of linear feet of material. CMP then oscillates the coil – winding the strip into a thread-like spool.

PUBLIC DOCUMENT

Andrew Stephens
Director of Steel Trade Policy
Office of the U.S. Trade Representative
January 15, 2002
Page 2

Stanley makes utility knives and saw blades from the steel strip coils. Stanley cannot use any other type of steel to make these products.

John Grove, CMP's Vice President for Procurement and Richard Milanek, CMP's Materials Director, appeared before the Trade Policy Staff Committee to urge exclusion of SAE 1095 cold-rolled steel from any remedy. Questions arose during the meeting about domestic availability of this product and the domestic industry's position on this exclusion request. We summarize these issues below.

A. SAE 1095 Cold-Rolled Steel Is Not Produced Domestically

During our January 11 meeting with the TPSC, a Committee Member asked whether a SAE 1095 hot-rolled steel product that WCI produces can be cold reduced in the United States, rendering exclusion of the cold-rolled material unnecessary. CMP has the ability to cold reduce SAE 1095 hot-rolled steel, but has found it uneconomical to do so. The high carbon content makes this product very brittle and difficult to process. CMP cannot pass this additional processing cost onto its customer. Such increased costs would render Stanley uncompetitive. If CMP could buy 1095 cold-rolled steel in the United States or if it could afford to cold reduce hot-rolled steel from U.S. suppliers, it would. Meanwhile, CMP must rely on imports of the cold-rolled product.

B. The Domestic Steel Industry Generally Agrees to Exclude of SAE 1095 Cold-Rolled Steel

CMP is a prominent member of the Association of Cold Rolled Strip Producers, which is an active participant in this proceeding. On Friday, January 11, 2002, the Association submitted a letter to Mr. Richard Weible at the U.S. Department of Commerce, agreeing to exclude SAE 1095 cold-rolled steel. Previously, the U.S. integrated mills indicated that they also did not object to this request.

The U.S. mills that are represented by Schagrin Associations informed the Committee that:

Domestic Producers object to the exclusion of this product. [, but more information needed. Cold-rolled conversion is available domestically.¹

¹ Comments on Exclusion Requests for Flat Products, Submitted by Schagrin Associates, at 78 (Dec. 7, 2001).

Andrew Stephens
Director of Steel Trade Policy
Office of the U.S. Trade Representative
January 15, 2002
Page 3

As discussed above, the fact that cold-rolled conversion is available domestically is not a sufficient basis to reject this exclusion request. CMP itself has this ability but nonetheless imports SAE 1095 cold-rolled steel and therefore requests exclusion of this product.

Moreover, the proprietary information in brackets has not been released publicly. Assuming that the bracketed information concerns the possibility of domestic availability of this material, there is evidence already on the record that SAE 1095 cold-rolled steel is not produced in the United States. The confidential version of CMP's November 13 submission provides documentation of requests for quotation and negative responses from Mr. Schagrin's clients, as well as the integrated mills. The domestic mills either responded that they do not produce SAE 1095 cold-rolled steel or they did not bother to reply, indicating their lack of interest in supplying this specialty cold-rolled steel product. This documentation should override any generic opposition from the domestic industry. The Administration therefore should recognize that SAE 1095 cold-rolled steel is not produced in the United States and exclude this product from any remedy.

C. Conclusion

CMP is by far the largest re-roller of high-carbon and alloy products in North America. As a member of the domestic steel industry that generally supports import relief, CMP respectfully requests exclusion of SAE 1095 cold-rolled steel. This specialty product represents a small fraction of total steel imports, but is essential to CMP's business. The majority of the domestic industry agrees that SAE 1095 cold-rolled steel is not produced in the United States and therefore warrants exclusion from any remedy.

Respectfully submitted,



Matthew R. Nicely
Julia K. Eppard

Counsel to Cold Metal Products